

FRANCHISE AGREEMENT BETWEEN THE CITY OF NORTH BEND AND PUGET
SOUND ENERGY, INC

Section 1. Definitions.

1.1 Where used in this Franchise Agreement (the "Franchise"), the following terms shall mean:

1.1.1 "City" means the City of North Bend, a code city of the State of Washington, and its successors and assigns.

1.1.2 "Decommissioned Pole" means a PSE owned utility pole located in the Franchise Area which is no longer needed to provide Regulated Service.

1.1.3 "Dispute" means any and all claims, controversies or disputes arising between the Parties relating to or in connection with this Franchise.

1.1.4 "Environmental Laws" means and includes any Law relating to the protection of human health and the environment, including those relating to the generation, use, handling, transportation, storage, release, discharge or disposal of Hazardous Substances, such as the Model Toxics Control Act, Chapter 70.105D RCW.

1.1.5 "Franchise Area" means the surface of, and the space above and below, any public road, street, avenue, boulevard, highway, alley, court, sidewalk, lane, circle, or other public right-of-way of the City, as such public rights-of-way are now laid out, platted, dedicated, acquired, or improved and/or as they may hereafter be laid out, platted, dedicated, acquired, or improved in the future, within the corporate, territorial limits of the City as they now exist or as they may later be extended (by annexation or otherwise).

1.1.6 "Force Majeure" means any event or circumstance (or combination thereof) and the continuing effects of any such event or circumstance (whether or not such event or circumstance was foreseeable or foreseen by the Parties) that delays or prevents performance by a Party of any of its obligations under this Franchise, but only to the extent that and for so long as the event or circumstance is beyond the reasonable control of the affected Party; and only to the extent that the affected Party has taken commercially reasonable measures to avoid the effect of the event or circumstance on the affected Party's ability to perform its obligations hereunder and to mitigate the consequences of the event. Force Majeure shall include the following, to the extent also satisfying the criteria specified above: (a) acts of nature, including storms, epidemics, and pandemics, provided the epidemic or pandemic is declared an emergency by the Governor of the State of Washington pursuant to RCW 43.06.220; (b) acts of public enemies, terrorism, war, rioting, insurrection or sabotage; (c) any form of compulsory government action or change in Law; (d) accidents or other casualties causing damage, loss, or delay; (e) labor disturbances, strikes, lock-outs or other industrial actions affecting the Parties or any of their contractors, subcontractors, agents or employees; and (f) delay in obtaining or denial of any regulatory consents or approvals.

1.1.7 “Hazardous Substance” means any hazardous, toxic, or dangerous substance, material, waste, pollutant, or contaminant that is specifically designated as such and regulated by any applicable Environmental Law.

1.1.8 “Law(s)” shall mean all present and future applicable federal, state, or municipal laws, codes, ordinances, rules, tariffs, regulations, resolutions, Environmental Law, orders, and other requirements, provided that the foregoing are accorded the full force and effect of law and are binding upon the Parties to this Franchise. For the avoidance of doubt, Law includes the North Bend Municipal Code. References to Laws shall be interpreted broadly to cover government actions accorded the full force and effect of law, and include laws, ordinances and regulations now in force or hereinafter enacted or amended.

1.1.9 “Ordinance” means Ordinance No. 1795, which sets forth the terms and conditions of this Franchise.

1.1.10 “Party” means and is a reference to either PSE or the City, and “Parties” means and is a collective reference to PSE and the City.

1.1.11 “PSE” means Puget Sound Energy, Inc., a Washington corporation, and its successors and assigns.

1.1.12 “Facilities” means, collectively, any and all (i) natural gas distribution systems, including gas pipes, pipelines, mains, laterals, conduits, feeders, regulators, meters, meter-reading devices, and communication systems; (ii) electric transmission and distribution systems, including poles (with or without crossarms), wires, lines, conduits, cables, braces, guys, anchors and vaults, meter-reading devices, and communication systems; and (iii) any and all other equipment, appliances, attachments, appurtenances and other items necessary, convenient, or in any way appertaining to any and all of the foregoing, whether the same be located over or under ground.

1.1.13 “Public Improvement Project” means any capital improvement project within the Franchise Area that is undertaken by the City (either directly or through its contractors) and is funded by the City (either directly with its own funds or with other funds obtained by the City from any other public or private source).

1.1.14 “Regulated Service” means any utility, telecommunications, or similar service that is subject to the jurisdiction of one or more federal or state agencies that regulate the terms and conditions such service (including the Federal Energy Regulatory Commission, the Federal Communications Commission, and the WUTC).

1.1.15 “Term” means the term of this Franchise, as set forth in Section 17, “Franchise Term.”

1.1.16 “WUTC” means the Washington Utilities and Transportation Commission, and any successor agency with jurisdiction over the terms and conditions of the services provided by PSE to its customers.

Section 2. Grant of Rights.

2.1 The City hereby grants to PSE the right, privilege, authority, and franchise to set, erect, lay, construct, extend, support, attach, connect, maintain, repair, replace, enlarge, operate, and use Facilities in, upon, over, under, along, across, and through the Franchise Area to provide for the transmission, distribution, and sale of gas and energy for power, heat, light, and such other purposes for which gas and energy may be used.

2.2 This Franchise is not, and shall not be deemed to be, an exclusive Franchise. This Franchise shall not in any manner prohibit the City from granting other and further franchises over, upon, and along the Franchise Area that do not interfere with PSE's rights under this Franchise. This Franchise shall not limit or constrain the exercise of the City's police powers, nor shall this Franchise prohibit or prevent the City from using the Franchise Area or affect the jurisdiction of the City over the same or any part thereof, if so exercised and used in a manner that is consistent with the terms and conditions of this Franchise.

2.3 PSE shall exercise its rights within the Franchise Area in accordance with Law; provided, however, in the event of any conflict or inconsistency between any municipal law, code, statute, ordinance, rule, regulation, policy, or other requirement of the City and the terms and conditions of this Franchise, the terms and conditions of this Franchise shall govern and control.

2.4 This Franchise shall not convey any right to PSE to install its Facilities on, under, over, or across, or to otherwise use, any City-owned or leased properties of any kind that are located outside the Franchise Area. Further, this Franchise shall not govern or apply to Facilities located on PSE-owned or leased properties or easements (whether inside or outside of the Franchise Area, whether granted by a private or public entity, and whether now existing or hereafter acquired) and such Facilities are not, and will not be deemed to be, located pursuant to rights derived from this Franchise or pursuant to rights otherwise granted by the City.

2.5 Existing Facilities installed or maintained by PSE on public grounds and places within the City in accordance with prior franchises between PSE and the City (but which Facilities are not within the Franchise Area as defined by this Franchise) may be maintained, repaired, and operated by PSE at the location such Facilities exist as of the Effective Date during the Franchise Term; provided, however, that no such Facilities may be enlarged, improved, or expanded without the prior review and approval of the City pursuant to applicable ordinances, codes, resolutions, standards, and procedures.

Section 3. PSE Use and Occupancy of Franchise Area.

3.1 All work performed on PSE's Facilities within the Franchise Area shall be accomplished in a good and workmanlike manner, by means that to the extent practicable minimize interference with the free passage of pedestrian or vehicle traffic, and by methods that allow for reasonable access to adjoining property, whether public or private. PSE shall post and maintain proper barricades, flags, flaggers, lights, flares, safety devices and other measures as required by Law. If work on PSE's Facilities within the Franchise Area shall impair the lateral support of the Franchise Area or adjacent properties, then PSE shall take such action as is reasonably necessary to restore and maintain the lateral support of the Franchise Area or such adjacent properties.

3.2 Whenever PSE desires to engage in any work within the Franchise Area, PSE shall apply for all permits required under the North Bend Municipal Code to do such work, and PSE shall comply with all requirements and conditions of such permits that are not inconsistent or in conflict with the terms and conditions of this Franchise, including but not limited to any such restrictions relating to location, traffic control, restoration, repair, or other work to restore the surface of the Franchise Area pursuant to Subsection 3.4. It is further provided that in the event that PSE has any work in the Franchise Area completed by any of its authorized agents or subcontractors, PSE shall remain fully responsible for the permit, permitted work, and any other permit requirements, notwithstanding any provisions of this Franchise to the contrary.

3.3 In the event of an emergency situation in which PSE's Facilities within the Franchise Area are in such a condition so as to immediately endanger the property, life, health, or safety of any individual, PSE may take immediate action to correct the dangerous condition without first obtaining any required permit, in which case PSE shall notify the City telephonically ((425) 888-0486 during business hours, (425) 736-7697 after hours), electronically at <http://www.northbendwa.gov> or in person within twenty-four (24) hours of the event, and shall apply for any permit(s) required by the City for such work as soon as reasonably practicable thereafter.

3.4 PSE shall, after installation, construction, relocation, maintenance, removal, or repair of any of PSE's Facilities within the Franchise Area, restore the affected Franchise Area and any other City property situated within the Franchise Area that may be disturbed or damaged by such work, to at least the same condition as it was immediately prior to any such work. The City shall not impose any fee, fine, charge, or other cost or expense on PSE for such damage or disturbance, provided that such restoration work is completed to the reasonable satisfaction of the City. All survey monuments which are to be disturbed or displaced by such work shall be referenced and restored consistent with Law.

3.5 PSE shall have the right to cut, clear, and remove vegetation overhanging or growing into PSE's Facilities within the Franchise Area so as to prevent such vegetation from coming in contact with such Facilities. The exercise of such right shall be subject to the City's prior approval, which shall not be unreasonably withheld, conditioned, or delayed.

Section 4. Planning and Coordination.

4.1 The Parties shall each exercise commercially reasonable efforts to coordinate construction work either may undertake within the Franchise Area so as to promote the orderly and expeditious performance and completion of such work as a whole. In so doing, the Parties shall undertake cooperative planning so as to promote the coordinated timing, location, and prosecution of such work within the Franchise Area. Upon the request of either Party, but not more often than annually unless otherwise agreed upon by the Parties, the Parties shall meet to discuss and coordinate regarding future construction activities then being planned by either Party within the Franchise Area. Such discussions and coordination shall be for informational purposes only and shall not obligate either Party to undertake any specific improvements within the Franchise Area.

4.2 The City may, from time to time, request:

4.2.1 Copies of any available PSE plan for potential improvements to PSE's Facilities within the Franchise Area if and as such information is needed by the City for its own planning purposes; and

4.2.2 Copies of any available drawings in use by PSE showing the location of its Facilities within the Franchise Area if and as such information is needed by the City for right-of-way management purposes.

Any such request by the City shall be reasonable in scope and at intervals that minimize administrative burdens on both Parties. Any release of such information to the City shall be subject to PSE's prior approval, which shall not be unreasonably withheld, conditioned, or delayed. Any information so provided by PSE shall be for informational purposes only and shall not obligate PSE to undertake any specific improvements within the Franchise Area, nor shall such information be construed as a proposal to undertake any specific improvements within the Franchise Area. As to any such information so provided, PSE does not warrant the accuracy thereof and, to the extent the location of Facilities is shown, such Facilities are shown in their approximate location.

4.3 In the event either PSE or the City shall cause excavations to be made within the Franchise Area, the Party causing such excavation shall afford the other, upon receipt of a written request to do so, an opportunity to use such excavation so long as such joint use does not unreasonably delay the work of the Party causing such excavation, and such joint use is arranged and accomplished upon terms and conditions reasonably satisfactory to the Party causing such excavation. With respect to any excavations by PSE or the City within the Franchise Area, nothing in this Franchise is intended (nor shall be construed) to relieve either Party of their respective obligations arising under Law with respect to determining the location of utility facilities.

Section 5. City Use of PSE Poles in Franchise Area.

5.1 During the Term the City may, subject to PSE's prior consent (which shall not be unreasonably withheld, conditioned, or delayed), install and maintain City-owned overhead facilities on PSE-owned poles within the Franchise Area pursuant to mutual agreement entered into between the City and PSE. Such mutual agreement may address commercial and noncommercial uses of PSE's poles by the City. The City shall install, operate, and maintain such facilities at its sole risk and expense and shall conduct all such activities in accordance with Law and consistent with such reasonable terms and conditions as PSE may specify from time to time (including requirements accommodating Facilities or the facilities of other parties having the right to use PSE's poles). PSE shall have no obligation under Section 10 "Indemnification and Insurance" in connection with any City-owned facilities that are installed or maintained on PSE's poles. PSE shall not charge the City for noncommercial use of PSE's poles pursuant to this Section 5, provided however, that nothing herein shall require PSE to bear any cost or expense in connection with any such use by the City.

5.2 Notwithstanding the foregoing, if at any time during the Term the City's use of PSE's poles pursuant to this Section 5 shall be determined to be a Regulated Service, then such use shall be arranged and accomplished in accordance with any Law applicable thereto.

Section 6. Decommissioned Facilities

6.1 As of the Effective Date, PSE and third parties having attachments of wires, devices, and other equipment to PSE-owned poles located in the Franchise Area use the National Joint Utilities Notification System (“NJUNS”) as the means of providing official notice between them of actions required to be taken and reporting of actions taken by such third parties with respect to such attachments. To the extent consistent with Law and at the request of the City, PSE will use commercially reasonable efforts (subject to the functional capabilities and limitations of NJUNS in place from time to time) to include the City as an interested party to any notification tickets submitted by PSE in NJUNS with respect to any PSE-owned poles located in the Franchise Area that are permanently no longer in use by PSE and which contain third party attachments. The City may monitor activity associated with such third-party attachments through NJUNS.

6.2 If PSE shall determine a PSE-owned pole located within the Franchise Area to be a Decommissioned Pole, then PSE shall so notify the City and such notice shall establish the date by which such Decommissioned Pole shall be removed from the Franchise Area. PSE shall use commercially reasonable efforts to remove such Decommissioned Pole from the Franchise Area within one hundred-eighty (180) days of the date of such notice. If, however, upon receipt of any such notice from PSE the City shall reasonably determine that such Decommissioned Pole unreasonably interferes with the free passage of pedestrian or vehicle traffic, then the City shall so notify PSE and PSE shall use commercially reasonable efforts to remove such Decommissioned Pole from the Franchise Area within thirty (30) days of the date of such notice from the City.

6.3 If the City reasonably determines that a PSE-owned pole located within the Franchise Area is no longer in use by PSE or by any authorized third-party, then the City may request that PSE determine if such pole is a Decommissioned Pole. Upon receipt of such request, PSE shall review the status of the pole in question. If PSE shall determine such pole to be a Decommissioned Pole, then PSE shall give the City notice thereof in accordance with Subsection 6.2. If PSE shall determine such pole not to be a Decommissioned Pole, then PSE shall so notify the City and such notice shall explain the basis for making such determination. The Parties agree to cooperate and establish mutually agreeable procedures for the implementation of this Subsection 6.3 that achieve the right-of-way management objectives of the City in a manner that minimizes the administrative burdens on both Parties.

6.4 PSE may, from time to time, elect to discontinue its use of underground natural gas Facilities within the Franchise Area and decommission such Facilities in place (“Decommissioned Gas Facilities”). In such event, PSE shall notify the City of its decision to decommission such Facilities. As requested by the City in accordance with Subsection 4.2 PSE shall provide the City with drawings that show the approximate location of Decommissioned Gas Facilities.

Section 7. Hazardous Substances.

PSE shall only use Hazardous Substances within the Franchise Area incident to PSE’s normal business operations, and in all cases (a) limited to such quantities as may be required in its normal business operations, (b) used, transported, or stored per manufacturer’s instructions, and (c) used, transported, or stored only for their intended uses. In the event PSE or its contractors cause an unlawful release of Hazardous Substances within the Franchise Area, PSE shall notify the City

within twenty-four (24) hours of its discovery. PSE shall act promptly to remediate such release of Hazardous Substances in accordance with Law.

Section 8. Relocation of Facilities.

8.1 Whenever the City causes a Public Improvement Project to be undertaken within the Franchise Area, and such Public Improvement Project requires the relocation of PSE's then existing Facilities within the Franchise Area (for purposes other than those described in Subsection 8.2 below), the City shall:

8.1.1 Provide PSE, within a reasonable time prior to the commencement of such Public Improvement Project, written notice requesting such relocation; and

8.1.2 Provide PSE with reasonable plans and specifications sufficient, in PSE's discretion, for such Public Improvement Project and for PSE's initial system design for the required relocation of such Facilities.

After receipt of such notice and such plans and specifications, and within one hundred twenty (120) calendar days (or such shorter or longer period of time as the Parties may mutually agree in writing), PSE shall relocate such Facilities within the Franchise Area at no charge to the City; provided, however, that if PSE determines that it would be impossible or impracticable to perform the relocation within the applicable time frame under this Section 8.1, then PSE shall promptly inform the City and provide a reasonable alternative relocation time frame. In such case, the Parties shall promptly meet and confer in good faith, giving due regard to all relevant facts and circumstances, to determine a mutually agreeable time frame for PSE to perform such relocation. If the City requires the subsequent relocation of any Facilities within five (5) years from the date of relocation of such Facilities pursuant to this Section 8.1, the City shall bear the entire cost of such subsequent relocation.

8.2 Whenever (i) any public or private development within the Franchise Area, other than a Public Improvement Project, requires the relocation of PSE's Facilities within the Franchise Area to accommodate such development; or (ii) the City requires the relocation of PSE's Facilities within the Franchise Area for the benefit of any person or entity other than the City, then in such event, PSE shall have the right as a condition of such relocation, to require such person or entity to make payment to PSE, at a time and upon terms acceptable to PSE, for any and all costs and expenses incurred by PSE in the relocation of PSE's Facilities.

8.3 Any condition or requirement imposed by the City upon any person or entity, other than PSE, that requires the relocation of PSE's Facilities shall be a required relocation for purposes of Subsection 8.2 (including any condition or requirement imposed pursuant to any contract or in conjunction with approvals or permits for zoning, land use, construction, or development).

8.4 Nothing in this Section 8 "Relocation of Facilities" shall require PSE to bear any cost or expense in connection with the location or relocation of any Facilities authorized by easement or other rights not derived from this Franchise, regardless of whether such easement or other rights

are on public or private property and regardless of whether such easement or other rights extend to property lying within the Franchise Area.

8.5 Subject to the exclusions and requirements set forth in this Subsection 8.5, if PSE does not relocate its Facilities within the Franchise Area in accordance with Subsection 8.1 by the applicable relocation date in order to accommodate a Public Improvement Project, and to the extent such failure to relocate causes a delay in the work being undertaken by the City's third-party contractor(s) on the Public Improvement Project that results in a claim by the third-party contractor(s) for direct costs and expenses that are directly caused by the delay in PSE relocating its Facilities in accordance with Subsection 8.1 and such direct costs and expenses are legally required to be paid by the City (each, a "Contractor Delay Claim"), the City may at its sole option:

Tender the Contractor Delay Claim to PSE for defense and indemnification in accordance with Section 10; or

- 8.5.1 Require that PSE reimburse the City for any such direct costs and expenses that are legally required to be paid by the City to its third-party contractor(s) as a direct result of the Contractor Delay Claim; provided that, if the City requires reimbursement by PSE under this Subsection 8.5.2, the City shall first give PSE written notice of the Contractor Delay Claim and give PSE the opportunity to work with the third-party contractor(s) to resolve the Contractor Delay Claim for a period of not less than sixty (60) days prior to the City's payment of the Contractor Delay Claim.

Nothing in this Subsection 8.5 or otherwise will require PSE to bear or be responsible for any cost, expense, or damage, or to defend or indemnify the City against any claim, that results from any delay in meeting the applicable relocation date for a Public Improvement Project if and to the extent the delay is caused by the City, any third party that is not an agent or subcontractor of PSE, or any Force Majeure Event.

Section 9. Undergrounding of Electric Facilities.

PSE acknowledges the City desires to encourage the undergrounding of overhead electrical Facilities within the Franchise Area. The City acknowledges that PSE utilizes such overhead Facilities to provide electrical service on a non-preferential basis subject to and in accordance with tariffs on file with the WUTC. Subject to and in accordance with such tariffs, PSE will cooperate with the City in the formulation of policy and regulations concerning the undergrounding of PSE's overhead electrical Facilities within the Franchise Area. If, during the Term, the City directs PSE to underground overhead electrical Facilities within the Franchise Area, such undergrounding shall be arranged and accomplished subject to and in accordance with tariffs on file with the WUTC, including, but not necessarily limited to, Schedule 73 and Schedule 74 of PSE's Electric Tariff G (as amended or replaced from time to time).

Section 10. Indemnification and Insurance.

10.1 PSE shall indemnify and hold the City harmless from any and all claims and demands made against it on account of injury or damage to the person or property of another, to the extent such injury or damage is caused by the negligence of PSE, its agents, or employees in exercising the rights granted to PSE by this Franchise; provided, however, that in the event any such claim or demand be presented to or filed with the City, the City shall promptly notify PSE thereof, and PSE shall have the right, at its election and at its sole cost and expense, to settle and compromise such claim or demand; provided further, that in the event any suit or action is begun against the City based upon any such claim or demand, the City shall likewise promptly notify PSE thereof, and PSE shall have the right, at its election and its sole cost and expense, to settle and compromise such suit or action, or defend the same at its sole cost and expense, by attorneys of its own election.

10.2 PSE shall maintain the following liability insurance coverages, insuring PSE and including the City and its elected and appointed officers, officials, agents, employees, representatives, engineers, consultants, and volunteers as additional insureds against claims for injuries to persons or damages to property which may arise from or in connection with the exercise of the rights, privileges, and authority granted to PSE under this Franchise, or the use, construction, installation, removal, or maintenance of any PSE Facilities under this Franchise:

10.2.1 General liability insurance, to include a combination of self-insurance and excess/umbrella liability policies as PSE may elect, with limits not less than \$5 million per occurrence/\$5 million general aggregate;

10.2.2 Automobile liability for owned, non-owned and hired vehicles with a combined single limit of \$5,000,000; and

10.2.3 Worker's compensation with statutory limits and employer's liability insurance with limits of not less than one million dollars (\$1,000,000).

10.3 The liability insurance described herein shall be maintained by PSE throughout the Franchise Term, and such other period of time during which PSE is operating its Facilities within the Franchise Area without a franchise or is engaged in the removal of its Facilities from the Franchise Area. Payment of deductibles and self-insured retentions shall be the sole responsibility of PSE. Coverage under applicable policies shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability. The City shall be included as an insured under PSE's excess/umbrella liability insurance policy to the extent outlined herein and per the policy terms and conditions. PSE shall be the primary insured as respects the City, its officers, officials, employees, agents, consultants, and volunteers. Any insurance maintained by the City, its officers, officials, employees, consultants, agents, and volunteers shall be in excess of PSE's insurance and shall not contribute with it.

10.4 The liability insurance described herein, and any subsequent replacement policies, shall provide that insurance shall not be cancelled or materially changed so as to be out of compliance with these requirements without first providing thirty (30) days' written notice to the City. If the insurance is cancelled or materially altered so as to be out of compliance with the requirements of this Subsection within the Term, PSE shall provide a replacement policy. PSE agrees to maintain

continuous uninterrupted insurance coverage, or provide self-insurance, in at least the amounts required for the duration of this Franchise and, in the case of any policy written on a “claims-made” form, for at least three (3) years after expiration of the Term. Any lapse in the required insurance coverage shall be cause for termination of this Franchise.

10.5 In lieu of the insurance requirements set forth in this Section 10, PSE may self-insure against such risks in such amounts as are consistent with good utility practice. Upon the City’s request, PSE shall provide the City with reasonable written evidence that PSE is maintaining such self-insurance.

10.6 Any PSE insurance policies used to meet the insurance obligations set forth in this Section 10 will be placed with insurers authorized to do business in the state of Washington and with a current A.M. Best rating of not less than A-VII, or financial equivalent. PSE shall provide the City with certificates of the required insurance within twenty (20) days of the Effective Date of the Ordinance adopting this Franchise.

Section 11. Recovery of Costs.

11.1 As specifically provided by RCW 35.21.860, the City may not impose a franchise fee or any other fee or charge of whatever nature or description upon PSE. However, as provided in RCW 35.21.860, the City may recover from PSE actual administrative expenses incurred by the City that are directly related to: (i) receiving and approving a permit, license, or this Franchise, (ii) inspecting plans and construction, or (iii) preparing a detailed statement pursuant to Chapter 43.21C RCW.

11.2 Promptly following adoption of this Franchise, the City shall provide to PSE a detailed statement of actual administrative expenses incurred by the City that are properly reimbursable to the City under Subsection 11.1, and thereafter PSE shall reimburse the City for such expenses within one hundred twenty (120) days after its receipt of the applicable statement.

Section 12. Utility Tax.

Nothing in this Franchise shall exempt PSE from payment of any and all taxes lawfully imposed by the North Bend Municipal Code and due from PSE; provided that nothing in this Section shall be construed as a waiver of PSE’s rights to contest the validity of any such tax or the amount of any tax due.

Section 13. Reservation of Easement in Event of Vacant.

In the event the City vacates any portion of the Franchise Area containing PSE’s Facilities during the Term, the City shall reserve an easement for PSE’s Facilities in the manner provided by the City’s vacation procedures. The City shall give PSE advance notice of its intent to vacate any portion of the Franchise Area and shall consult with PSE regarding the terms and conditions of the easement to be reserved for PSE’s Facilities.

Section 14. Force Majeure.

If performance of this Franchise or of any obligation hereunder is prevented or substantially restricted or interfered with by reason of an event of Force Majeure, the affected Party, upon giving notice to the other Party, shall be excused from such performance to the extent of and for the duration of such prevention, restriction, or interference. The affected Party shall use commercially reasonable efforts to avoid or remove such causes of nonperformance and shall continue performance hereunder whenever such causes are removed. Notwithstanding the foregoing, the insufficiency of funds, financial inability to perform, or changes in such Party's cost of performing its obligations hereunder shall not constitute a Force Majeure event.

Section 15 Dispute Resolution.

15.1 A Dispute shall be resolved in accordance with the dispute resolution procedures set forth in this Section 15. A Party shall inform the other Party promptly following the occurrence or discovery of any item or event that would reasonably be expected to result in a Dispute. The initial mechanism to resolve a Dispute shall be by negotiation between the Parties' representatives, so designated by the Parties by notice given in accordance with Subsection 19.1.

15.2 If the Parties cannot resolve a Dispute satisfactorily within fifteen (15) days after receipt of the initial notice required by Subsection 15.1, either Party may thereafter deliver to the other Party notice initiating the dispute resolution procedures set forth in this Subsection 15.2. Such notice shall (i) contain a detailed description of the issues in Dispute, (ii) identify the senior officers or administrators authorized to settle the Dispute, and (iii) propose a date or dates, not less than thirty (30) days from the date such notice, that such officers or administrators are available for a meeting to resolve such Dispute. The recipient Party shall, within three (3) business days following receipt of the Dispute notice, provide to the notifying Party a parallel schedule of availability of the recipient Party's senior officers or administrators duly authorized to settle the Dispute. Following delivery of the respective senior officers' or administrators' schedules of availability, the senior officers or administrators so designated shall meet and confer, as often as they deem reasonably necessary during the remainder of the thirty (30) day period, in good-faith negotiations to resolve the Dispute to the satisfaction of both Parties.

15.3 If at any time after the expiration of such thirty (30) day period the City shall determine that continued negotiations with PSE will not result in a resolution of the issue or issues in Dispute, and if the City reasonably believes that PSE is then in default of its obligations under this Franchise, then the City may serve upon PSE a written order to comply with the provisions of this Franchise pursuant to Section 16 "Default."

15.4 Except as otherwise provided in Subsection 15.3, the Parties intend that the procedures of this Section 15 be exhausted before a Party exercises any other right or remedy available under this Franchise or Law. The Parties hereby reserve any and all such rights and remedies.

Section 16. Default.

If PSE shall fail to comply with the provisions of this Franchise, the City may serve upon PSE a written order to so comply within sixty (60) days from the date such order is received by PSE. If PSE is not in compliance with this Franchise after expiration of said sixty (60) day period, the City

may, by ordinance, declare an immediate forfeiture of this Franchise; provided, however, if any failure to comply with this Franchise by PSE cannot be corrected with due diligence within said sixty (60) day period (PSE's obligation to comply and to proceed with due diligence being subject to unavoidable delays and events beyond its control), then the time within which PSE may so comply shall be extended for such time as may be reasonably necessary and so long as PSE commences promptly and diligently to effect such compliance.

Section 17. Franchise Term.

This Franchise is and shall remain in full force and effect for a period of twenty-five (25) years from and after the Effective Date.

Section 18. Assignment.

PSE shall not assign this Franchise to any unaffiliated third party without the prior consent of the City, which consent shall not be unreasonably withheld, conditioned, or delayed. Notwithstanding the foregoing, PSE shall have the right, without such notice or such written acceptance, to mortgage its rights, benefits, and privileges in and under this Franchise for the benefit of bondholders.

Section 19. Miscellaneous.

19.1 Unless otherwise specifically provided by this Franchise, all notices, consents, requests, demands, or other communications required or permitted by this Franchise must be in writing and given by personal delivery, email, or certified mail and shall be sent to the respective Parties as follows:

To PSE: Brandon Leyritz
Municipal Liaison Manager
East King and Sound Transit
Puget Sound Energy
P.O. Box 97034
Bellevue, WA 98009-9734
Brandon.Leyritz@pse.com

To City: Mark Rigos, P.E.
Public Works Director
920 SE Cedar Falls Way
North Bend, WA 98045
Mrigos@northbendwa.gov

Any such communication by a Party shall be deemed to have been received by the other Party (i) upon the delivery date received by the intended recipient if delivered by hand; (ii) five (5) business days after it is sent by certified mail, postage prepaid; or (iii) if sent by email transmission, when dispatched and acknowledged by the recipient as having been received in full and in legible form. A Party may change its address for purposes of this Subsection 19.1 by giving written notice of such change to the other Party in the manner provided in this Subsection 19.1.

19.2 The headings of sections and paragraphs of this Franchise are for convenience of reference only and are not intended to restrict, affect, or be of any weight in the interpretation or construction of the provisions of such sections or paragraphs. Terms defined in a given number, tense, or form shall have the corresponding meaning when used in this Franchise with initial capitals in another number, tense, or form. References containing terms such as "hereof," "herein," "hereto," "hereinafter," and other terms of like import are not limited in applicability to the specific provision within which such references are set forth but instead refer to this Franchise taken as a whole. "Includes" or "including" shall not be deemed limited by the specific enumeration of items, but shall be deemed without limitation. The term "or" is not exclusive.

19.3 Any provisions of this Franchise prohibited or rendered unenforceable by any Law shall be ineffective only to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Franchise. In such event, the remainder of this Franchise will remain valid and enforceable. Upon such determination that any term or other provision is prohibited or rendered unenforceable, the Parties shall negotiate in good faith to modify this Franchise so as to maintain the original intent of the Parties as closely as possible in an acceptable manner to the end that rights and obligations contemplated under this Franchise are fulfilled to the greatest extent possible.

19.4 This Franchise may be amended only by written instrument, signed by both Parties, which specifically states that it is an amendment to this Franchise and is approved and executed in accordance with Law. This Franchise constitutes the entire agreement between the Parties, and supersedes all other prior agreements and understandings, oral and written, between the Parties, with respect to the subject matter hereof.

19.5 Nothing in this Franchise shall be construed to create any rights or duties to any third party, nor any liability to or standard of care with reference to any third party. This Franchise shall not confer any right or remedy upon any person other than the City and PSE. No action may be commenced or prosecuted against either the City or PSE by any third party claiming as a third-party beneficiary of this Franchise.

19.6 The Parties shall act in good faith and use commercially reasonable efforts to carry out their respective obligations under this Franchise. The failure of either Party to insist on or enforce strict performance of any provision of this Franchise or to exercise any right or remedy under this Franchise or Law will not be construed as a waiver or relinquishment to any extent of the right to assert or rely upon any such provision, right, or remedy in that or any other instance; rather, the same will be and remain in full force and effect.

19.7 This Franchise shall be governed by, subject to, and construed under the laws of the State of Washington. This Franchise is subject to the provisions of any applicable tariff on file with the WUTC or its successor. In the event of any conflict or inconsistency between the provisions of this Franchise and such tariff, the provisions of such tariff shall control.

19.8 All terms and conditions of this Franchise that must be reasonably construed to survive the expiration or termination of this Franchise in order to give full force and effect to the intent of the Parties as set forth herein shall survive the expiration or termination of this Franchise, regardless of whether such survival is expressly specified herein.

HONORABLE MAYOR AND CITY COUNCIL
CITY OF NORTH BEND, WASHINGTON

WHEREAS, the City Council of the City of North Bend, Washington, has granted a franchise to Puget Sound Energy, Inc., a Washington corporation, its successors and assigns, by enacting Ordinance No. 1795, bearing the date of May 16, 2023; and

WHEREAS, a copy of said Ordinance granting said franchise was received by the Puget Sound Energy, Inc. on _____, 2023, from said City of North Bend, King County, Washington.

NOW, THEREFORE, Puget Sound Energy, Inc., a Washington corporation, for itself, its successors and assigns, hereby accepts said Ordinance and all the terms and conditions thereof, and files this, its written acceptance, with the City of North Bend, King County, Washington.

IN TESTIMONY WHEREOF said Puget Sound Energy, Inc. has caused this written Acceptance to be executed in its name by its undersigned _____ thereunto duly authorized on this _____ day of _____, 2023.

ATTEST: PUGET SOUND ENERGY, INC.

By: _____

Copy received for City of _____
on _____, 2023

By: _____
City Clerk